

# Housing Benefit Changes: Update December 2010

Since the Emergency Budget of 22 June 2010, there have been further announcements in the Comprehensive Spending Review, along with the White Paper and most recently legislation laid 30 November 2010, which changes some of the key dates announced in the Budget.

Below I have provided an update on each key change, along with data for Cambridge City Council benefit recipients where available.

There have been DWP impact assessments published recently, some of which show information relating to the impact of the changes on the Cambridge BRMA area. It must be noted that unless it stipulates that the data relates to Cambridge as a Local Authority, the data will be misleading as it covers the much wider BRMA area including Haverhill, Ely, Newmarket and Littleport.

With regard to the Cambridge BRMA, the DWP's response to the Committee's Fifth Report of Session (printed 13 October 2010) recommendation to review Cambridge's BRMA states:

***"In England there has been a rolling programme of reviews which is expected to be completed by April 2011. Both Blackpool and Cambridge were recognised as early candidates and reviews have been completed."***

This is not the case, and is very misleading. A review of Cambridge's BRMA was carried out, but this was approximately 2 years ago when Huntingdon was given its own BRMA.

There has not been a review of the Cambridge BRMA as a result of responses to consultation documents, which highlight existing and very much current problems with the BRMA.

I have written to Paul Howarth, Head of Housing Benefit Strategy at the DWP asking him to give this his urgent consideration.

The latest Government's impact assessment lists the following as likely risks in relation to the Housing Benefit reforms:

- increases in the number of households with rent arrears, eviction and households presenting themselves as homeless.
- disruption to children's education and reduced attainment
- disruption to support services for people with disabilities and other households with care and support needs
- an increase in the number of households living in overcrowded conditions
- a decrease in the number of and quality of private rented sector properties available to Housing Benefit tenants

**1. From April 2011, Local Housing Allowance rates will be set at the 30<sup>th</sup> percentile of local rents for new claims and a period of up to nine months transitional protection will be available for existing customers from the date the claim is reviewed.**

Nationally, for 1-bedroom rate, the difference between the 50<sup>th</sup> percentile (used currently) and the 30<sup>th</sup> percentile is £6 or less in over half the areas in England. In Cambridge the difference is £17, representing a **decrease of 11.8%**, which is significantly greater than the percentage loss in London.

Nationally, for 2-bedroom rate, the difference between the 50<sup>th</sup> percentile (used currently) and the 30<sup>th</sup> percentile is £9 or less in over half the areas in England. In Cambridge the difference is £25, representing a **decrease of 15.3%**, which is significantly greater than the percentage loss in London.

Research by Shelter found that in Cambridge only 4% of rental properties were currently affordable (using the 50<sup>th</sup> percentile calculation) to people on LHA, as opposed to 70% being affordable in the rural areas of the BRMA.

The change in calculation of LHA rates to the 30<sup>th</sup> percentile will make it less likely for people to find affordable privately rented accommodation in Cambridge.

Existing claims will have the changes applied when the claim is reviewed and there will then be a further 9 months transitional protection with HB continuing based on their existing LHA rate to allow people "more time to adjust".

We currently have 800 LHA claimants, and if on average, each claimant loses £20 per week, this would equate to £832,000 per year.

**2. From April 2011, an additional bedroom will be included within the size criteria used to assess HB claims in the private rented sector when a disabled person has a proven need for overnight care and a non-resident carer provides this.**

The new provision in HB for an extra room for carers of disabled people will mean that many disabled households will be better off. However, according to the government's impact assessment **some families with disabled members will actually be worse off** after the changes, once the impact of the 30<sup>th</sup> percentile is taken into account (most notably in Central London, Inner North London and Cambridge).

**3. From April 2011, staged increase in non-dependant deductions so that by 2014 rates will be at the level they would have been if uprated since 2001.**

In Cambridge, we currently have 309 Council Tax Benefit non-dependent deductions applied, and 317 Housing Benefit non-dependant deductions, 238 of which are for Council Housing Revenue Account tenancies.

Whilst the exact values are still unknown, it is anticipated that the deductions will be steep increases, and this will impact on rent collection, as greater non-dependant deductions will lead to increased rent to be paid by the tenant.

**4. From April 2011, Local Housing Allowance levels will be restricted to the 4-bedroom rate and a new upper limit will be introduced for each property size (1 bed, £250; 2 bed £290; 3 bed £340; 4 bed, £400).**

Cambridge is virtually unaffected by these measures as our LHA rates are so low compared to average market values for Cambridge.

**5. From April 2011, the £15 excess provision currently payable within the LHA rules will be removed.**

Due to the affect of the Broad Rental Market Area, there are few claimants in Cambridge that receive the £15 weekly excess.

**6. From April 2011, DWP will introduce a measure whereby direct payments to private landlords will be allowed where the rents are reduced to LHA rate.**

Direct payment rules will be relaxed temporarily to allow LAs to make direct payment to landlords. It appears this will only apply where the landlord agrees to reduce the rent to "a rent that is affordable to the customer", defined as "at or around the LHA rate". It remains uncertain as to the impact that this measure will have in the City, as the disparity between market values and LHA rates is so great due to the BRMA that private landlords may be unwilling to reduce the rent.

**7. From April 2011, Discretionary Housing Payment (DHP) grant to be increased by £10 million with a possible £10 million from CLG homeless budget.**

There are concerns that even with this increase we will be unable to meet the shortfall due to the 30<sup>th</sup> percentile changes. Our current DHP grant is £26,000.

**8. From April 2011, annual uprating of benefits to use the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) used previously.**

The rates of inflation to be used to uprate benefits in April 2011, were set in September 2010, and were 4.6% for RPI and 3.1 % for CPI.

**9. From April 2012, DHP grant to be increased by a further £40 million.**

There are concerns that even with this increase we will be unable to meet the shortfall due to the 30<sup>th</sup> percentile changes.

**10. From April 2012, shared room rent in LHA to be extended to all single claimants under 35.**

There are concerns that there is not enough shared accommodation available to meet the increased demand that raising the age limit from 25 to 35 will create. It is extremely unlikely that the increase in the DHP grant would cover the shortfall created by this change.

The shared room rate is lower than all other housing benefit payments and is currently paid to claimants under 25. It is based on the amount of rent charged for a single room with shared use of the rest of a house. Using current information the Single room rate is £136.92 but a shared room rent under 30<sup>th</sup> Percentile is £69.04.

**11. From April 2013, LHA rates will be updated on the basis of the CPI in the same way as other claim elements will be updated.**

The CPI has generally risen slower than rents so over time LHA will cover a smaller proportion of rent. Between 1997 and 2007, CPI inflation averaged 2 per cent annually, whereas rent inflation averaged 5 per cent.

In the long term, the linking of LHA to an index instead of actual rent levels will inevitably lead to situations where the value of LHA available will not reflect changes in the relative rent levels between areas.

**12. From April 2013, size criteria rules will be introduced for working age claimants living in the social rented sector.**

Precise working arrangements are yet to be announced by DWP.

**13. From April 2013, all HB entitlement levels will be reduced to 90% after 12 months for those claimants receiving Jobseeker's Allowance.**

Precise working arrangements are yet to be announced by DWP.

**14. From April 2013, an LA administered cap to be introduced for the maximum amount of benefit received by any family, currently £500 per week or £350 for single out of work people.**

Precise working arrangements are yet to be announced by DWP, but Local Authorities will assess the total benefit income of all new and existing HB claimants, and reduce HB to ensure that they do not receive more than the cap.

**15. From April 2013, Council Tax Benefit to be localised and spending reduced by 10%.**

Precise working arrangements are yet to be announced by DWP.

**16. From April 2013, DWP Fraud Investigation Service to deal with all aspects of benefit fraud, including HB/CTB.**

**17. From October 2013/April 2014, Universal Credit to be introduced.**

People on Universal Credit will receive a basic out-of-work element similar to Jobseeker's Allowance, plus additional supplements to cover disability, children, housing and other similar elements as appropriate to individual circumstances.